

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on April 2, 2001 at 8:001 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 400, SB 411, SB 350,
3/28/2001

Executive Action: SB 280, Sb 258, SB 129, SB 92,
SB 325, SB 162, SB 273

HEARING ON SB 400

Sponsor: SEN. GREG JERGESON, SD 46, CHINOOK

Proponents: None

Opponents: None

Opening Statement by Sponsor:

SEN. GREG JERGESON, SD 46, CHINOOK, stated local governments receive a distribution from motor vehicle taxes, which is used within communities. He said this bill would allow the revenue stream of motor vehicle fuel tax be used and be constructed to pay off the bond. He mentioned the general obligation bond and how this bill would assist with effects in paying the bond off.

Proponents' Testimony: None

Opponents' Testimony: None

Questions from Committee Members and Responses:

CHAIRMAN BOB STORY asked if the amendment was added to limit the state from being obligated to pay the bonds. SEN. JERGESON explained the revenue involved and how the language in the bill was changed to reflect local government.

CHAIRMAN STORY asked the time frame of the bond. SEN. JERGESON answered a two year bond.

REP. RON ERICKSON asked if the legislation made sense. SEN. JERGESON had many questions pertaining to it.

Closing by Sponsor:

SEN. GREG JERGESON, SD 46, CHINOOK, closed on his bill.

HEARING ON SB 411

Sponsor: SEN. SAM KITZENBERG, SD 48, GLASGOW

Proponents: Mike Allen, Allen Oil Company

Bob Stephens, MT. Graingrowers Association
Carol Lambert, W.I.F.E.

Opponents: **None**

Informational Witness: **Jim Curry, Department of Transportation**

Opening Statement by Sponsor:

SEN. SAM KITZENBERG, SD 48, GLASGOW, tried to make ethanol more of a reality in Montana. He gave a background of ethanol bills through the legislature. He would like to see ethanol plants in operation in the state. The purpose of this bill was to offer incentives to gas stations to make ethanol available. He mentioned gas stations throughout the state and the possible use of offering ethanol pumps, which in turn would offer them a tax credit.

Proponents' Testimony:

Mike Allen, Allen Oil Company, spoke of the uses of ethanol and felt it would be a good change for the state. He mentioned agriculture and how ethanol would offer more production in the long run. He believed economically ethanol would offer many opportunities for the state.

Bob Stephens, MT. Graingrowers Association, felt this to be a good bill for citizens of Montana to utilize ethanol.

Carol Lambert, W.I.F.E., mentioned Women Involved in Farm Economics and talked about the current production of agriculture in the state. She felt ethanol would assist in the long term for agriculture economics.

Opponents' Testimony: **None**

Informational Witness:

Jim Curry, Department of Transportation, would be available for questions from the committee.

Questions from Committee Members and Responses:

REP. EILEEN CARNEY referred to the fiscal note and asked how much it would be to convert ethanol. **Mike Allen** explained tank size and how much would need to be converted.

REP. CARNEY asked how easy it would be to receive ethanol into the state. **Mike Allen** said Canada has a good price and he mentioned other resources to purchase ethanol from.

REP. JOE BALLYEAT asked how much benefit does ethanol offer. **Mike Allen** addressed the fuel mileage of vehicles and explained the less mileage received from ethanol.

REP. BALLYEAT asked how much was burned. **Mike Allen** answered 25 to 30% less CO2 atmosphere. He believed this was per gallon.

REP. BALLYEAT wanted figures pertaining to the average percentages ethanol would be burning. **Mike Allen** said he would bring in a study for the committee.

REP. BALLYEAT mentioned passing of bills with exemptions. He asked how much would be enough for ethanol to be competitive in the state. **SEN. KITZENBERG** talked about living in a clean, agricultural state and the need for ethanol.

{Tape 1; Side B}

REP. RON ERICKSON referred to page three and four of the bill and asked why language was changed. **Mike Allen** didn't know why all the language was not changed. He explained the use of gasohol instead of ethanol fuels.

REP. ERICKSON asked if the bill could be amended to utilize the language context completely. **Mike Allen** answered no, it should be consistent throughout.

REP. VERDELL JACKSON asked if the current incentives were good. **Mike Allen** talked about what was received from the federal government and what is lost per gallon currently.

REP. JACKSON asked what impact other bills would have on the market. **Mike Allen** felt the incentives would go to the consumer and the benefits of this bill would go to the cost in change over. He didn't see an impact with other bills.

CHAIRMAN STORY asked how many retail stations have an extra tank. **Ronna Christman, Petroleum Marketers Association**, believed there were twelve locations in the state currently. She didn't know if they would have an extra tank available.

REP. ROGER SOMERVILLE asked how many distributors of gasohol products in the state. **SEN. KITZENBERG** said approximately three or four.

REP. SOMERVILLE asked if there was a list for ethanol producers. **SEN. KITZENBERG** said the list had been double checked. He explained stations where the owner may not have known ethanol would be available.

CHAIRMAN STORY asked about definitions of gasohol. **SEN. KITZENBERG** answered no, there was not a definition within the statute.

CHAIRMAN STORY asked if there was a minimal amount of ethanol to be blended. **Mike Allen** said the federal government has the definitions on the amount added. He thought the typical blend was ten percent.

Closing by Sponsor:

SEN. SAM KITZENBERG, SD 48, GLASGOW, mentioned HB 644 having a definition of ethanol, which was ten percent for blending. He addressed the supply and demand of ethanol and the uses for the state. He felt ethanol would be good in the long term for economics and growth of the state.

HEARING ON SB 350

Sponsor: **SEN. JON ELLINGSON, SD 33, MISSOULA**

Proponents: **Roger Halver, MT. Association of Realtors**
Byron Roberts, Building Industry Association

Opponents: **None**

Opening Statement by Sponsor:

SEN. JON ELLINGSON, SD 33, MISSOULA, stated this bill would offer affordable housing loan accounts. He said this was an additional funding mechanism for the revolving loan accounts. He talked about credits provided for certain contributions to the endowment. He referred to sections of the bill and explained tax credits. He mentioned HB 57 and HB 273 coming through the process along with this bill sharing costs involved. This bill, as drafted, would permit a credit for cash contributions and he didn't think it would have a strong effect on the general fund. He touched on the technical amendments and concerns towards this legislation.

{Tape 2; Side A}

Proponents' Testimony:

Roger Halver, MT. Association of Realtors, asked for support of SB 350 offering a tool to low income families in Montana. He mentioned areas of the state with low income housing and how this would assist those areas. He talked about the revolving loan account and how it would be beneficial to the state.

Byron Roberts, Building Industry Association, thought the housing costs had doubled and the area of home ownership had become a problem for the state. He stated how young people could not afford a home with the current high pricing and this bill would assist people to have affordable housing available.

Opponents' Testimony: None

Questions from Committee Members and Responses:

REP. CARNEY asked for clarification of the deduction and credit that would be available. **SEN. ELLINGSON** answered by offering the clarifications.

REP. CARNEY asked about the contributions to endowment. **SEN. ELLINGSON** explained contributions and how it pertains as giving a gift to a charity as a life time interest.

REP. CARNEY asked if this would be an outright contribution. **SEN. ELLINGSON** answered yes.

REP. BALYEAT wondered about the provision for a planned gift. He asked about the credit given and possibly reducing the percentage. **SEN. ELLINGSON** said currently, the bill does not offer a planned gift. He explained the contribution and designation of a revolving loan account being qualified as the charitable endowment. **CHAIRMAN STORY** pointed to sections of the bill that explain the gift and endowment process.

REP. BALYEAT asked about the credit for an outright gift. **SEN. ELLINGSON** felt the focus would be pertaining a life time interest of income through assets.

REP. SOMERVILLE asked if this would fund a trust. **SEN. ELLINGSON** answered no. He said it would be a revolving loan account and offered the definition of a trust.

REP. SOMERVILLE asked about loaning out the principal. **SEN. ELLINGSON** didn't think the loan account would be zeroed out by loaning out everything. He mentioned the value of the account and how it would be retained.

REP. SOMERVILLE referred to the fiscal note and asked if the Department of Commerce would be able to operate this without opening another position. **SEN. ELLINGSON** referred to the technical note and didn't know if an extra person would be needed, and offered the resources would be available if other bills passed.

REP. KARL WAITSCHIES asked why it was 20%. **SEN. ELLINGSON** said it referred to corporate taxpayers.

REP. WAITSCHIES asked if they could add an amendment offering 40% endowment. **SEN. ELLINGSON** said whatever the amount was, would be available for the credit endowments. He explained the 40% of the affordability.

CHAIRMAN STORY asked about a \$10,000 credit for a contribution. **SEN. ELLINGSON** said that was not the intent of the bill and would be on an annual basis.

Closing by Sponsor:

SEN. JON ELLINGSON, SD 33, MISSOULA, felt this would be a good mechanism to fund the revolving loan account and offer housing for low income families. He said it would offer increase funding in the long term for the state.

EXECUTIVE ACTION ON SB 280

Motion: **REP. CARNEY** moved SB 280 BE CONCURRED IN.

Discussion:

REP. BALYEAT opposed the bill and didn't think there was a strong argument for this legislation.

REP. RICK DALE wondered about clarification of the reinstating the fuel tax.

REP. GARY FORRESTER asked if this would be a tax increase. **REP. SOMERVILLE** explained how the bill was requested and it may be classified as a tax increase.

REP. WAITSCHIES felt the bill to be a good idea for aviation. He mentioned airport maintenance.

Vote: Motion carried 17-3 with **REP. BALYEAT, REP. FORRESTER** and **REP. FUCHS** voting no.

EXECUTIVE ACTION ON SB 258

Motion: REP. SOMERVILLE moved SB 258 BE AMENDED. Amendments were handed out **EXHIBIT**(tah74a01).

Discussion:

{Tape 2; Side B}

Jeff Martin, Legislative Staff, explained the amendment handed out. He stated the clarifications towards the bill.

Vote: Motion carried unanimously.

Motion: REP. ESP moved SB 258 BE CONCURRED IN AS AMENDED.

Discussion:

Jeff Martin talked about the original fiscal note drafted and the changes currently.

REP. DEVLIN thought the section pertained to who owned the account.

REP. JOAN ANDERSEN wondered about the recipient of the endowment. REP. SOMERVILLE mentioned the recipient attending local schools to receive the endowment.

REP. DAN FUCHS explained how the grandparents were involved with the endowment funds. REP. BALLYEAT mentioned the beneficiaries and who would be included as contributors.

Vote: Motion carried 19-1 with REP. ESP voting no.

EXECUTIVE ACTION ON SB 129

Motion: REP. ESP moved SB 129 BE AMENDED. Information on healthcare was handed out **EXHIBIT**(tah74a02). Amendments were presented to the committee **EXHIBIT**(tah74a03).

Discussion:

REP. SOMERVILLE gave a background of the bill and reminded the committee of the hearing.

REP. ESP explained the amendment and the definition of healthcare.

REP. FUCHS felt as the bill was written two definitions were being offered.

Jeff Martin explained the definitions of healthcare and where it was found within the code.

REP. BUTCH WADDILL asked about the definition and if it was precluded. **Jeff Martin** referred to definitions and didn't think they would be precluded.

REP. BALYEAT felt the definition was broad. He thought it should be consistent from the statute. **REP. ESP** mentioned services provided by healthcare and thought they would be included and there was a specific clarification.

REP. SOMERVILLE talked about the healthcare costs and the definitions involved.

Vote: Motion carried 19-1 with **REP. WADDILL** voting no.

Substitute Motion: **REP. BALYEAT** moved a conceptual amendment inserting the tax credits involved with healthcare benefits.

Discussion:

REP. BALYEAT talked about the services provided and how the definitions would offer clarification.

Vote: Motion carried 19-1 with **REP. WADDILL** voting no.

Motion/Vote: **REP. ERICKSON** moved SB 129 BE CONCURRED IN AS AMENDED. Motion carried 19-1 with **REP. WAITSCHIES** voting no.

{Tape 3; Side A}

EXECUTIVE ACTION ON SB 92

Motion: **REP. WAITSCHIES** moved SB 92 BE AMENDED. Amendments were handed out **EXHIBIT**(tah74a04).

Discussion:

Jeff Martin mentioned the tax credits provided with this bill. He talked about the amendment informing what the title was and how material would not be reclaimed.

REP. WAITSCHIES said this offers a sunset towards four years.

Vote: Motion carried unanimously.

Motion: **REP. SOMERVILLE** moved SB 129 BE CONCURRED IN AS AMENDED.

Discussion:

REP. BALYEAT felt this was extending a tax credit and he like the bill.

CHAIRMAN STORY asked if the fiscal note was changed. **REP. ERICKSON** thought it had been changed with the amendment.

Vote: Motion carried unanimously.

EXECUTIVE ACTION ON SB 325

Motion: **REP. CARNEY** moved SB 325 BE CONCURRED IN.

Substitute Motion/Vote: **CHAIRMAN STORY** proposed an amendment to coordinate with SB 446 and if this bill passes then SB 446 would be deleted. Motion carried unanimously.

Motion/Vote: **REP. FUCHS** moved SB 325 BE CONCURRED IN AS AMENDED. Motion carried 19-1 with **REP. WANZENRIED** voting no.

EXECUTIVE ACTION ON SB 162

Motion: **REP. SOMERVILLE** moved SB 162 BE CONCURRED IN.

Discussion:

CHAIRMAN STORY offered background information pertaining to this bill. He explained the concept dealing with drafting legislation to create a fee or a tax and the money would go to a specific purpose.

REP. FORRESTER mentioned earmarking and how the process should recognize bills involved with this issue.

Vote: Motion carried 16-4 with REP. WADDILL, REP. CYR, REP. WANZENRIED and REP. LASLOVICH voting no.

EXECUTIVE ACTION ON SB 273

Motion: REP. CARNEY moved SB 273 BE CONCURRED IN.

Discussion:

REP. CARNEY didn't like the income tax credit for the employment. She thought Sections four and seven should be taken out.

Amend Motion: REP. CARNEY moved to striking language from Sections 4 and 7.

REP. ERICKSON wondered about the long term impacts and referred to the fiscal note.

Vote: carried unanimously.

Motion: REP. CARNEY moved SB 273 BE CONCURRED IN AS AMENDED.

Discussion:

REP. ERICKSON thought it was for a fiscal year and not an income tax year.

Vote: REP. ERICKSON moved an amendment to having the termination on December 2005 instead of June 30, 2001. Motion carried unanimously.

Discussion:

REP. JOAN ANDERSEN pointed to sections of the bill and wondered about the incentive with the businesses.

REP. JACKSON stated this bill would be a problem for the revenue department.

REP. JACKSON moved an amendment offering college students a wage of \$14 per hour to target the population.

Discussion:

REP. ERICKSON wondered about what teachers made as a starting salary. REP. ANDERSEN thought a starting salary was around

\$19,000. She wondered if it would cut students out to receive this option.

REP. JACKSON thought the amount would be comparable to the starting wage.

{Tape 3; Side B}

REP. KEITH BALES thought the salary could be kept at \$8 an hour and have the college graduates to stay in state at this rate.

Substitute Motion: **REP. DALE** wanted to change from \$14 to \$12 an hour.

REP. SOMERVILLE wondered how this would apply to college students coming back to work with their families. **CHAIRMAN STORY** said the intent of the bill wasn't for college students to work with family businesses.

Motion/Vote: **REP. WAITSCHIES** moved SB 273 BE TABLED. Motion failed 7-13 with **REP. BALYEAT**, **REP. CYR**, **REP. DALE**, **REP. DEVLIN**, **REP. FORRESTER**, **REP. JACKSON** and **REP. WAITSCHIES** voting aye.

Vote: Substitute Motion for \$12 per hour failed 2-18 with **REP. JACKSON** and **REP. BALYEAT** voting aye.

Discussion:

REP. JACKSON didn't like the annual average salary at \$8 per hour. He didn't think it would be a good incentive to stay within the state.

REP. CARNEY thought it might exclude certain students.

REP. BALYEAT mentioned the bill pertaining a provision offering the student to work full time employment. He thought the bill would be problematic and it didn't offer a salary range for students to stay in the state.

Continuation of Bill for another meeting day

ADJOURNMENT

Adjournment: 11:00 A.M.

REP. BOB STORY, Chairman

RHONDA VAN METER, Secretary

BS/RV

EXHIBIT (tah74aad)